

Message Text

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DRAFTED BY XMB: TPDUGHTY/AA

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XMB: EJO'CONNOR, VICE PRESIDENT - LATIN AMERICA

EB/IFD/ODF/BGCROWE

ARA/EP WCLARKE

XMB:WWGLICK, ACTING EXECUTIVE VICE PRESIDENT

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FM SECSTATE WASHDC

TO AMCONSUL GUAYAQUIL

INFO AMEMBASSY QUITO

UNCLAS STATE 032231

E.O. 11652:N/A

TAGS: EGEN

SUBJECT: EXIMBANK FINANCING FOR SAN CARLOS, S.A.

REF: GUAYAQUIL 8563

1. EXIMBANK APPRECITES CONSULATE'S INTEREST IN THE
SUBJECT MATTER AND HAS CONSIDERED CAREFULLY THE ENUMERATED
POINTS IN THE REFTEL. DURING MEETING IN
WASHINGTON IN AUGUST 1974, REPRESENTATIVES OF SAN
CARLOS, FNCB OF NEW YORK, AND FULTON IRON WORKS DISCUSSED
SAN CARLOS' FINANCING APPLICATION WITH EXIMBANK. AT THAT
TIME, EXIMBANK HAD INFORMATION ON THE CORPORATE AND RECENT
FINANCIAL HISTORY OF SAN CARLOS, A REASONABLY FULL
DESCRIPTION OF THE PROPOSED EXPANSION PROJECT AND ITS FINANCING
PLAN, AND DETAILED PROJECTIONS OF PRODUCTION, COSTS, SALES,
PROFITS, AND CASH FLOW FOR SEVERAL YEARS. ON THE BASIS OF AN
ANALYSIS OF THE INFORMATION IN THE APPLICATION AND SUPPLIED
ORALLY IN THE DISCUSSION, AND GIVEN THE NATURE OF INDUSTRY
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INVOLVED AND THE HISTORY OF THE INFLUENCE OF THE

GOVERNMENT OF ECUADOR ON THAT INDUSTRY, EXIMBANK INDICATED THAT IT WAS UNLIKELY THAT FAVORABLE ACTION WOULD BE TAKEN ON THE APPLICATION UNLESS SAN CARLOS COULD PROVIDE AN ACCEPTABLE GUARANTOR OR OTHER SECURITY ARRANGEMENT FOR THE FINANCING. IN LIGHT OF THE CONTROL BY THE GOVERNMENT OF ECUADOR OF THE COMPANY'S ACTIVITIES THROUGH REGULATIONS APPLICABLE TO MARKET QUOTAS, PRICE CONTROLS, AND EXPORT TAXES ON RETENTIONS, EXIMBANK BELIEVES THAT THE MOST SATISFACTORY GUARANTOR WOULD BE THE GOVERNMENT OF ECUADOR.

2. EXIMBANK HAS RECONSIDERED THE MATTER THOROUGHLY BUT HAS COME AGAIN TO THE CONCLUSION THAT THE FINANCING REQUESTED BY SAN CARLOS WILL REQUIRE THE UNCONDITIONAL GUARANTEE OF THE GOVERNMENT OF ECUADOR OR ONE OF ITS AGENCIES AUTHORIZED TO ISSUE A GUARANTEE ON BEHALF OF THE GOVERNMENT.(IT OCCURS TO EXIMBANK, IN THIS REGARD, THE POSSIBILITY THAT COMISION DE VALORES - CORPORACION FINANCIERA NACIONAL, THE GOVERNMENT DEVELOPMENT FINANCING INSTITUTION, COULD PROVIDE A SATISFACTORY GUARANTEE. THAT INSTITUTION, AS THE CONSULATE MAY BE AWARE, IS THE BORROWER UNDER EXIMBANK FINANCING AUTHORIZED FOR THE EXPANSION OF THE CEMENT PLANT OF LA CEMENTO NACIONAL.)
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